



ETERNITY TECHNOLOGY HOLDINGS LIMITED

恒達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1725

2019

ANNUAL
REPORT

CONTENTS

Corporate Information / 2

Chairman's Statement / 4

Management Discussion and Analysis/ 5

Biographical Details of Directors and Senior Management/ 11

Corporate Governance Report/ 13

Environmental, Social and Governance Report/ 23

Report of Directors/ 36

Independent Auditor's Report/ 46

Consolidated Income Statement/ 51

Consolidated Statement of Comprehensive Income/ 52

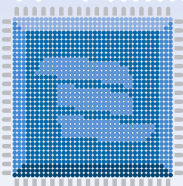
Consolidated Balance Sheet/ 53

Consolidated Statement of Changes in Equity/ 55

Consolidated Statement of Cash Flows/ 57

Notes to the Consolidated Financial Statements/ 58

Financial Summary/ 116



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ma Fujun (*Chairman and Chief Executive Officer*)
Ms. Chen Xiaoyuan
Mr. Cheng Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Chi-luen
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

AUDIT COMMITTEE

Mr. Wu Chi-luen (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

NOMINATION COMMITTEE

Mr. Ma Fujun (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Wu Chi-luen

REMUNERATION COMMITTEE

Mr. Wu Chi-luen (*Chairman*)
Mr. Chan Chung Kik, Lewis
Mr. Chow Kit Ting

AUTHORISED REPRESENTATIVES

Mr. Ma Fujun
Ms. Jian Xuegen

COMPANY SECRETARY

Ms. Jian Xuegen

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Block A2
Yingzhan Industrial Park
Longtian Community
Longtian Street, Pingshan District
Shenzhen, Guangdong
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Granville House
41C Granville Road
Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
China Merchants Bank Shenzhen Huanggang Branch
Bank of China (Hong Kong) Limited

CORPORATE INFORMATION

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

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17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Stock Name

Eternity Tech

COMPLIANCE ADVISERS

Dakin Capital Limited

Suites 4505-06, 45/F
Tower 1, Lippo Centre
89 Queensway
Hong Kong

AUDITORS

PricewaterhouseCoopers

22/F, Prince's Building
Central
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

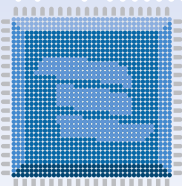
Stock code: 1725.HK

CORPORATE WEBSITE ADDRESS

www.szeternity.com

STOCK CODE

1725



CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Eternity Technology Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I would like to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2019 (the "**Reporting Period**").

The Group is principally engaged in the business of electronics manufacturing services ("**EMS**") which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of printed circuit board assemblies (the "**PCBA**") and fully-assembled electronic products.

BUSINESS REVIEW

The year 2019 was full of challenges for China's and the world's economic. During the Reporting Period, trade friction between the United States of America and China has slowed down the economic growth of both China and the world. The continuous growth in the EMS industry has also slowed down. During the Reporting Period, a turnover of approximately RMB546.3 million was recorded by the Group, representing a slightly decrease of approximately 0.1% as compared with that in the corresponding period in 2018. The slightly decrease in revenue was attributed by: (i) the revenue derived from PCBAs increased by approximately 42.9%, particularly revenue from banking and finance PCBAs as a result of the popularity of the banking and finance device and smart device; (ii) while the revenue derived from fully-assembled electronic products decreased by approximately 14.3%, particularly revenue from tablets as a result of the decreased orders of tablets triggered by the decreasing demand of the tablets market.

Business Strategies

In 2020, the novel coronavirus (COVID-19) outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has so far caused operational delays. The Group has put in place contingency measures to lower the impact from this outbreak. And the Group will strive to sustain long-term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities by implementing the following business strategies:

- Continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance our production efficiency;
- Continue to strengthen our research and development capabilities so that we can explore more business opportunities and enlarge our customer base;
- Construct our own production plant instead of renting one to increase the interest of the shareholders in long term.

Gratitude

On behalf of the Company, I would like to express my sincere gratitude to all our valued shareholders, customers, suppliers, banks and to our management and employees for their continuous trust and support to our Group.

By order of the Board

Ma Fujun

Chairman & Executive Director

Hong Kong

13 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenue by Customers' Geographical Location

The Group is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	2019 RMB'000	2018 RMB'000
The PRC	452,170	422,327
Mexico	12,783	97,108
Brazil	23,316	3,300
South Korea	15,513	10,649
India	14,313	—
Hong Kong	11,648	—
Others (Note)	16,582	13,309
	546,325	546,693

Note: Others include Taiwan, the United States of America, United Kingdom and Austria.

Revenue by Product Type

During the Reporting Period, our revenue was generated by our two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Reporting Period and for the year ended 31 December 2018 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change %	2019	2018	Change
PCBAs	194,456	136,041	42.9	35.6	24.9	10.7
Fully-assembled electronic products	351,869	410,652	(14.3)	64.4	75.1	(10.7)
Total	546,325	546,693	(0.1)	100.0	100.0	

PCBAs

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our revenue generated from sales of PCBAs increased by approximately 42.9% from approximately RMB136.0 million for the year ended 31 December 2018 to approximately RMB194.5 million for the Reporting Period, primarily due to the increase in demand on the PCBAs for banking and finance and that the Group successfully introduced one major customer for the products of PCBAs for smart device during the Reporting Period.

Fully-assembled electronic products

Our fully-assembled electronic products that are embedded with PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS, photovoltaic inverters, tablets and street lamp controller, are sold under the respective brands of our customers or the brands of their ultimate customers. Our revenue generated from sales of fully-assembled electronic products decreased by approximately 14.3% from approximately RMB410.7 million for the year ended 31 December 2018 to approximately RMB351.9 million for the Reporting Period, primarily due to a decrease in purchase orders of the tablets triggered by the decreasing demand of tablets market.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB60.5 million, representing a decrease of approximately RMB5.3 million or 8.1% as compared with approximately RMB65.8 million for the year ended 31 December 2018. Overall gross profit margin decreased from 12.0% for the year ended 31 December 2018 to 11.1% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change (%)	2019 %	2018 %	Change (%)
PCBAs	32,746	23,234	40.9	16.8	17.1	(0.3)
Fully-assembled electronic products	27,733	42,573	(34.9)	7.9	10.4	(2.5)
Total	60,479	65,807	(8.1)	11.1	12.0	(0.9)

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 40.9% to approximately RMB32.7 million for the Reporting Period (2018: approximately RMB23.2 million). The gross profit margin slightly decreased to approximately 16.8% for the Reporting Period (2018: approximately 17.1%), which primarily resulted from the net effect of (i) the increase in sales orders of banking and finance device and smart device; and (ii) the increase in the labor cost and increase in depreciation expenses as a result of addition of machinery at the end of 2018.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 34.9% to approximately RMB27.7 million for the Reporting Period (2018: approximately RMB42.6 million). The gross profit margin decreased to approximately 7.9% for the Reporting Period (2018: approximately 10.4%), which was mainly due to (i) the decrease in the gross profit margin of mPOS as we offered a more competitive price to our customers than that of 2018 due to fierce competition; and (ii) the increase in the labor cost and increase in depreciation expense as a result of addition of machinery at the end of 2018.

Other Income

Other income of the Group, comprises discretionary government grants received by the Group, increased by approximately 24% from approximately RMB3.1 million for the year ended 31 December 2018 to approximately RMB3.8 million for the Reporting Period due to the increase in government grants received.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our sales staff; (ii) transportation charges; (iii) sales commission paid to our sales agents in respect of customer introduction; (iv) credit insurance fees and (v) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB15.0 million (2018: approximately RMB13.3 million), representing an increase of approximately 13.4% as compared to the year ended 31 December 2018. Selling and distribution expense against revenue ratio had a slightly increase from approximately 2.4% for the year ended 31 December 2018 to 2.8% for the Reporting Period which was due to the increased credit insurance fees to control the credit risk by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff; (ii) listing expenses and professional fees; and (iii) other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB18.6 million (2018: approximately RMB30.4 million), representing an decrease of approximately 38.8% as compared to the year ended 31 December 2018. The decrease was mainly due to the one-off listing expenses and professional fees of approximately RMB14.6 million incurred for the year ended 31 December 2018 for the listing of the Company on the Main Board of the Stock Exchange in August 2018.

Net impairment losses on financial assets

Net impairment losses on financial assets mainly represented the provision of impairment of trade receivables. For the Reporting Period, impairment of approximately RMB0.6 million (2018: Nil) were made against the trade receivables which were difficult to be recovered as these customers were in financial difficulties.

Finance Costs, Net

Our finance costs mainly comprised interest expenses on bank borrowings, finance lease liability and lease liabilities while our finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, the net finance costs of the Group were approximately RMB1.1 million (2018: approximately RMB0.6 million) representing an increase of approximately 90.4% as compared to the year ended 31 December 2018. The increased net finance cost was in line with the increased bank borrowings from approximately RMB2.2 million as at 31 December 2018 to approximately RMB16.4 million as at 31 December 2019.

Income Tax Expense

Income tax expense amounted to approximately RMB3.7 million for the Reporting Period (2018: approximately RMB4.7 million), representing a decrease of approximately 21.2% as compared to the year ended 31 December 2018. Our major operating subsidiary, Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司) ("Shenzhen Hengchang Sheng"), enjoyed a preferential tax treatment because of its accreditation as a New/High - Tech Technology Enterprise and the applicable tax rate was 15%. The decrease in income tax expense was mainly attributed to the decrease in the profit of our major operating subsidiary, Shenzhen Hengchang Sheng.

Profit Attributable to Equity Holders of the Company

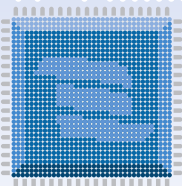
As a result of the facts discussed above, profit attributable to equity holders of the Company increased by approximately 23.6% from approximately RMB20.6 million for the year ended 31 December 2018 to approximately RMB25.5 million for the Reporting Period.

Liquidity and Capital Resources

Net Current Assets

The Group had net current assets of approximately RMB153.2 million as at 31 December 2019 (2018: approximately RMB155.5 million). The current ratio of the Group decreased from approximately 1.9 as at 31 December 2018 to approximately 1.7 as at 31 December 2019.

* For identification purpose only



MANAGEMENT DISCUSSION AND ANALYSIS

Borrowings, the Pledge of Assets and Restricted Cash

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal banks. The interest-bearing liabilities of the Group amounted to approximately RMB16.4 million as at 31 December 2019 (2018: approximately RMB13.2 million). As at 31 December 2018 and 2019, interest-bearing liabilities were secured by properties, plant and equipment, a pledged bank deposit and a corporate guarantee by the Company. Also, a deposit of approximately RMB2.7 million was held in a designated bank account to guarantee the construction and investment in relation to the plant in Huizhou. The cash and cash equivalents, pledged bank deposits, short-term bank deposits and restricted cash and bank borrowings were mainly denominated in Renminbi ("**RMB**"), Hong Kong Dollars ("**HK\$**") and United States Dollars ("**USD**").

Gearing Ratio

Our gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 7.0% and 6.3% as at 31 December 2019 and 31 December 2018, respectively. During the Reporting Period, we have increased our interest-bearing liabilities by approximately RMB3.2 million. The gearing remained low due to our low level of bank borrowings as well as the increase in our equity contributed by our profitable operations.

Capital Structure

As at 31 December 2019, the Company's issued share capital was HK\$3,000,000 and the number of issued shares of the Company was 300,000,000 ordinary shares of HK\$0.01 each.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK\$ and USD, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than USD, HK\$ or RMB. During the Reporting Period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital Expenditure

For the Reporting Period, the Group had capital expenditure of approximately RMB32.0 million (2018: RMB40.9 million). The capital expenditure was mainly related to the additions of a piece of land use right, office equipment, plant and machinery, motor vehicles and intangible assets.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme.

As at 31 December 2019, the Group had 490 employees with a total remuneration of approximately RMB48.9 million during the Reporting Period (2018: approximately RMB34.0 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

MANAGEMENT DISCUSSION AND ANALYSIS

ACQUISITION OF LAND USE RIGHT IN HUIZHOU CITY

During the Reporting Period, Huizhou City Eternity Technology Company Limited (the "Huizhou Eternity"), an indirect wholly owned subsidiary of the Company, entered into a stated-owned land use rights grant contract with Huizhou City Huicheng District Natural Resources Bureau to acquire the land use rights of a piece of land located at Huizhou, the PRC at a consideration of RMB26,830,000. The Group intends to construct its own production plant instead of renting one considering the increasing production demand and increasing rent rate in recent years in Shenzhen.

MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS

Saved as aforesaid in this report, the Group did not have any material acquisitions, disposals of subsidiaries, associates and joint ventures and significant investments during the Reporting Period.

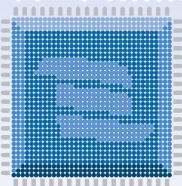
USE OF PROCEEDS

Our business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds from the Share Offer (made pursuant to the Prospectus) (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$96.7 million. From the Listing Date, being the date on which dealings in the Shares first commenced in the Stock Exchange, to 31 December 2019, the net proceeds from the Share Offer had been applied as follows:

Business objectives as stated in the Prospectus	Actual net proceeds HK\$ million	Amount utilised HK\$ million	Remaining balance HK\$ million
Expand our production capacity and enhance our production efficiency	64.7	42.8	21.9
Lease new premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	0.6	16.8
Further strengthen our research and development capabilities	4.5	3.4	1.1
Upgrade our ERP system and enhance our capabilities in information technology	3.4	0.4	3.0
General working capital	6.7	4.8	1.9
	96.7	52.0	44.7

Please refer to the Prospectus for the original intended timeframe for utilisation of the net proceeds. Since the trade friction between the United States of America and China became more and more intense and have brought many uncertainties to the China and the world's economic during the Reporting Period, the Group were acting with more caution. The plan of the expanding our production capacity and enhancing our production efficiency and the plan of leasing new premises to align with our production capacity expansion were slowing down. The balance of the unutilised proceeds is expected to be utilised in the coming two years.

The unutilised net proceeds have been placed with licensed banks in Hong Kong and the PRC as interest-bearing deposits in accordance with the intention of the Board as disclosed in the Prospectus.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENT

As at 31 December 2019, the Group's capital commitment amounted to approximately RMB0.9 million (2018: RMB1.4 million). The capital commitment was mainly related to the acquisition of machinery and equipment to expand our production capacity and enhance our production efficiency.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2019 (2018: Nil).

EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus (COVID-19) (the **"Novel Coronavirus Outbreak"**), a number of provinces and municipalities in the PRC have taken emergency public health measures and various actions to prevent the spread of the Novel Coronavirus Outbreak, including imposing restriction on resumption date of production after the Chinese New Year Holiday.

The operation of the Group's production plant in Shenzhen (the **"Shenzhen Production Plant"**) has been suspended after the statutory holidays for Chinese New Year as part of the Chinese government's countermeasures in containing the Novel Coronavirus Outbreak.

After inspection being done at the Shenzhen Production Plant by the relevant government authority, the Group received an official notice on 14 February 2020 approving the resumption of limited production of the Shenzhen Production Plant. As such, the Shenzhen Production Plant resumed its operation and production started on 15 February 2020.

However, due to the suspension or limited service of transportation facilities in certain area, certain workers in the affected provinces and municipalities who are unable to return to production units in Shenzhen as planned, which has resulted in temporarily drop in production of the Shenzhen Production Plant. The Novel Coronavirus Outbreak also adversely affected the supply chain logistics and the Group experienced delay in the supply of raw materials from its suppliers. It is expected that the Shenzhen Production Plant will experience delay in resuming to original production schedule and there will be late delivery of products in the first half year of 2020.

Furthermore, over the last few years, one of the largest customers of the Group, a company listed on the growth enterprise board landed by the Shenzhen Stock Exchange, is located in Wuhan, Hubei Province, the PRC. The Group is in the process of communicating with the said customer and other customers to arrange the production schedule and adjust delivery time of the sales orders placed.

Under such special circumstances, the Group is currently working closely with its suppliers to speed up the delivery of raw materials and liaising with the customers to adjust delivery schedule to minimize any negative economic impact on both sides.

The suspension and the temporarily lower than original production level are likely to have a negative impact on the Group's future financial results. The Group will continue to assess the impact of Novel Coronavirus Outbreak on the financial performance and closely monitor the development of the Novel Coronavirus Outbreak and the exposure to the risks and uncertainties in this connection. The Company will take appropriate measures as necessary.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ma Fujun (馬富軍), aged 46, is the chairman of our Board, Executive Director and chief executive officer of the Company. Mr. Ma was first appointed as a Director of the Company on 15 March 2017. Mr. Ma together with his brother-in-law, Mr. Cheng Bin, founded Eternity Technology Development Limited (恒昌科技發展有限公司) ("**Eternity Technology**") in 2003. Mr. Ma is also the director, general manager, legal representative and chairman of the board of Shenzhen Hengchang Sheng, and the sole director of Total United Holdings Limited (全協控股有限公司) ("**Total United**"), Agreeable Company Limited (致同有限公司) ("**Agreeable**") and Eternity Technology. He is responsible for the overall management, strategic planning, and business development of our Group. Mr. Ma has over 17 years of experience in electronics engineering. He attended Xi'an University of Technology from September 1994 to July 1997 and obtained a Junior College Education Degree in Mechatronic Engineering in July 1997. From March 2001 to May 2011, Mr. Ma served as the general manager, legal representative and chairman of the board of directors of Shenzhen Active Tactics Electronics Company Limited.

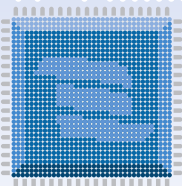
Ms. Chen Xiaoyuan (陳筱媛), aged 46, is an Executive Director of the Company. Ms. Chen was first appointed as a Director of the Company on 15 March 2017. Ms. Chen is also a director and vice general manager of Shenzhen Hengchang Sheng and a supervisor of other subsidiary of the Company. She is primarily responsible for the accounting and financial functions of our Group. Ms. Chen graduated from Jiangxi University of Finance and Economics majoring in foreign-related Accounting in June 1995. Ms. Chen joined our Group on 27 August 2007 as a manager of the Finance Department of Shenzhen Hengchang Sheng and was promoted to a vice general manager in April 2015. Prior to joining Shenzhen Hengchang Sheng, she worked as a financial manager at Telehof Electronics Instruments & Equipment (Shenzhen) Co., Ltd, which specialised in the manufacture and sales of security products and surge protective devices, from October 1997 to October 2006.

Mr. Cheng Bin (程彬), aged 42, is an Executive Director of the Company. Mr. Cheng was first appointed as a Director of the Company on 15 March 2017. He is also a supervisor and vice general manager of Shenzhen Hengchang Sheng and a director, manager and legal representative of other subsidiary of the Company. He is primarily responsible for the sales and marketing functions of our Group. Mr. Cheng completed vocational education at Jiangxi Shipping Technical School* (江西船舶技術學校) in July 1996. From November 2000 to December 2008, Mr. Cheng was a manager at Shenzhen Active Tactics Electronics Company Limited which principally involved in the surface-mount technology stencil production business. Mr. Cheng together with his brother-in-law, Mr. Ma, founded Eternity Technology in 2003. He first joined our Group as a director of Eternity Technology from 2 January 2003 to 23 July 2007. He joined Shenzhen Hengchang Sheng as project manager in January 2009 and has been a vice general manager since July 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chung Kik Lewis (陳仲戟), aged 47, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Chan obtained a Bachelor's Degree of Commerce in Accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr. Chan has more than 22 years of experience in auditing, accounting and corporate finance. Mr. Chan is the chief financial officer and the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1452). He served as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 719) and the Shenzhen Stock Exchange (Stock Code: 000756), from May 2014 to June 2018; and Kwan On Holdings Limited, a company which was previously listed on the GEM Board of the Stock Exchange (Stock Code: 8305) and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) in August 2016, between March 2015 and September 2016. Mr. Chan also serves as the independent non-executive director of (i) Hong Guang Lighting Holdings Company Limited, a company listed on GEM Board of the Stock Exchange (Stock Code: 8343), since December 2016; (ii) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418), since March 2017; (iii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618), since March 2017; and (iv) Wing Chi Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6080), since September 2017.

* For identification purpose only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Chi-luen (吳季倫), aged 43, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Wu graduated from the Department of Mathematics (Applied Mathematics Section), College of Science and Engineering and was conferred the Degree of Bachelor of Science in June 2000 and graduated from the Graduated School of Management (Master's Program), College of Management with a Degree of Master of Business Administration in June 2002, both at the Fu-Jen Catholic University in Taiwan. Mr. Wu served as a Territory Sales Representative of Seagate Technology Taiwan Limited from October 2010 to October 2014 and has over 5 years of experience in the industry of information technology and is knowledgeable on technology trend and industry know-how. From June 2015 to January 2019 and from August 2017 to January 2019, he has been an executive director and vice chief executive officer of InvesTech Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1087).

Mr. Chow Kit Ting (周傑霆), aged 35, has been appointed as an Independent Non-executive Director since 25 July 2018. He is primarily responsible for overseeing the management of our Group independently. Mr. Chow obtained a Bachelor Degree of Commerce with a major in Accountancy from Macquarie University in November 2007. He is a member of Certified Public Accountants (CPA) Australia and a member of Hong Kong Institute of Certified Public Accountants. From September 2007 to March 2015, Mr. Chow has worked in audit department in Deloitte Touche Tohmatsu and his last position was a manager. Mr. Chow was the financial controller and company secretary of Link Holdings Limited from March 2015 to January 2016, a company listed on GEM of the Stock Exchange of stock code: 8237. He was the financial controller and company secretary of Kin Shing Holdings Limited from February 2016 to August 2018, a company listed on the Stock Exchange of stock code: 1630. He has been the financial controller of a private company, HY Technology Holding Limited, from August 2018 to December 2019 and re-designed to its subsidiary, Aua Yu(s) Pte. Ltd. since January 2020. He has extensive experience in accounting, corporate finance, compliance and company secretarial works.

COMPANY SECRETARY

Ms. Jian Xuegen (簡雪艮), aged 34, was appointed as the company secretary of our Company on 1 January 2020 and also is the financial controller of our Company since 5 December 2016 when she joined our Group.

Ms. Jian is a consultant of Wisdom Professional Limited, a professional services provider specialising in corporate and investor services, and is responsible for providing professional corporate secretarial services to companies listed on the Stock Exchange.

SENIOR MANAGEMENT

Ms. Jian Xue Gen (簡雪艮), aged 34, is the company secretary of our Company since 1 January 2020 and the financial controller of our Company since 5 December 2016 when she joined our Group. She is mainly responsible for financial reporting, financial planning, treasury and financial control and secretarial affairs of our Group. Ms. Jian obtained a Bachelor's Degree in Accounting from South China University of Technology in July 2008. She is a member of the Chinese Institute of Certified Public Accountants. She is also been a member of the Hong Kong Institute of Certified Public Accountants since January 2019. Prior to joining our Company, from November 2008 to December 2016, Ms. Jian worked at the Guangzhou branch of Ernst & Young LLP, and her last position was an audit manager. Since February 2019, Ms. Jian is also the company secretary of Confidence Intelligence Holdings Limited (a company listed on the Main Board of the Stock Exchange with Stock Code: 1967) and Sprocomm Intelligence Limited (a company listed on the Main Board of the Stock Exchange with Stock Code: 1401). Since January 2020, Ms. Jian is also the director of Shenzhen Shan source Electric Co., Ltd.* (深圳山源電器股份有限公司) which principally involved in manufacture and sales of electronic radiators, PTC heaters, and electronic metal hardware.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all shareholders.

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the Reporting Period except the following deviation:

Pursuant to CG Code provision A.2.1, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Ma, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Ma’s experience and established market reputation in the industry, and the importance of Mr. Ma in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are three Independent Non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the year.

CORPORATE GOVERNANCE DUTIES

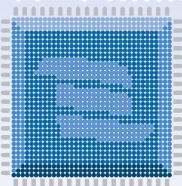
The Board is responsible for performing the corporate governance duties as set out in code provision D.3.1 of the CG Code. During the Reporting Period, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provisions A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Ma currently holds both of the chairman and chief executive officer positions, as explained in the paragraph headed “Corporate Governance Practices” above in the Corporate Governance Report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board’s deliberations and that such views and judgement carry weight in the Board’s decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company.



CORPORATE GOVERNANCE REPORT

The Company annually assesses the independence of each Independent Non-executive Director during their terms of appointment. The Company has received from each of the Independent Non-executive Directors a written confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-executive Directors are independent during the year.

THE BOARD

The Board currently comprises three Executive Directors, namely Mr. Ma Fujun (chairman and chief executive officer), Ms. Chen Xiaoyuan and Mr. Cheng Bin; and three Independent Non-executive Directors, namely Mr. Chan Chung Kik Lewis, Mr. Wu Chi-luen and Mr. Chow Kit Ting. The number of Independent Non-executive Directors represents more than one third of the Board. The biographical details of and relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 12 of this annual report.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the Executive Directors possess extensive experience in management, sales and marketing and professional knowledge in business, while the three Independent Non-executive Directors possess professional knowledge and broad experience in accounting, finance and business. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders of the Company and the Company.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2019. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 46 to 50. The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board shall take decisions objectively in the interests of the Company. In addition, the Board has also delegated various responsibilities to the Board committees. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with information and explanations that are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors are appointed for a specific term. Each of the Directors of the Company is under a service contract with the Company for a period of three years commencing from the Listing Date.

According to Article 84(1) of the Articles of Association of the Company (the "**Articles**"), At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CORPORATE GOVERNANCE REPORT

Pursuant to Articles 83(3) and 84(1) of the Articles of Association, Mr. Cheng Bin and Mr. Chow Kit Ting will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board currently consists of one female Director. It will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

The Nomination Committee will review and monitor the implementation of the Board Diversity Policy, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

PROCEEDINGS OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

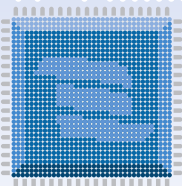
The Board may meet for the dispatch of business, adjourn and otherwise regulate its meeting and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business and, unless so fixed at any other number, shall be two. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting.

When a Director and the enterprise(s) involved in a proposal of a Board meeting have connected relations, such Director shall not exercise his/her voting rights on such proposal.

Set out below are details of the attendance record of each Director at the Board, committee and general meetings of the Company during the Reporting Period:

Name of Directors	Attendance/Number of Meetings Held				
	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Executive Directors					
Mr. Ma Fujun	6*	—	1*	—	1*
Ms. Chen Xiaoyuan	6	—	—	—	1
Mr. Cheng Bin	5	—	—	—	1
Independent Non-Executive Directors					
Mr. Chan Chung Kik Lewis	6	2	1	1	1
Mr. Wu Chi-luen	6	2*	1	1*	1
Mr. Chow Kit Ting	6	2	—	1	1

* representing chairman of the board or the committees



CORPORATE GOVERNANCE REPORT

Pursuant to code provision A.2.7 of the CG Code, the Chairman should hold meetings with Independent Non-executive Directors without the presence of other Directors at least annually. The Company held one meeting on 29 March 2019 in accordance with the CG Code.

The Board has established three committees, namely, the audit committee ("**Audit Committee**"), the remuneration committee ("**Remuneration Committee**") and the nomination committee ("**Nomination Committee**"), for overseeing aspects of the Company's affairs. All Committees have been established with defined written terms of reference, which were posted on the Stock Exchange (www.hkex.com.hk) and the Company website (www.szeternity.com). All committees should report to the Board on their decisions or recommendations made.

All Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the risk management and internal control systems of the Group. The Audit Committee comprises three members, all being Independent Non-executive Directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting. The Group's accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

During the year ended 31 December 2019, the Audit Committee has held two meetings for discussion on the audit and financial reporting related matters. At the meetings, the Audit Committee had reviewed the final results for the year ended 31 December 2018, the interim results for the six months ended 30 June 2019 and the Group's internal controls for the year ended 31 December 2018. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The Terms of Reference of the Audit Committee are available on the website of the Company and of the Stock Exchange.

The external auditor has been invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on the audit and financial reporting related matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting.

The Group's final results for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is completed and accurate, and has complied with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management as well as other employee benefit arrangements. The Remuneration Committee comprises three members, all being Independent Non-executive Directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting.

During the year ended 31 December 2019, the Remuneration Committee has held one meeting. Full minutes of the Remuneration Committee meetings are kept by the company secretary. At the meeting, the Remuneration Committee had reviewed and made recommendation to the Board on the remuneration policies of the Directors and the senior management as well as the remuneration packages for the years ended 2018 and 2019 and the performance of the Directors. Draft and final versions of the minutes of the Remuneration Committee meetings are circulated to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction. The Terms of Reference of the Remuneration Committee are available on the website of the Company and of the Stock Exchange.

NOMINATION COMMITTEE

The Nomination Committee was established on 25 July 2018 with Terms of Reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee consists of an Executive Director, namely Mr. Ma Fujun (Chairman), and two Independent Non-executive Directors, namely Mr. Wu Chi-luen and Mr. Chan Chung Kik, Lewis.

During the year ended 31 December 2019, the Nomination Committee has held one meeting. At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessing the independence of independence non-executive Directors, reviewed the Board Diversity Policy made recommendation to the Board on retirement and re-election of directors and other matters of the Company. Full minutes of the Nomination Committee meetings are kept by the company secretary. Draft and final versions of the minutes of the Nomination Committee meetings are circulated to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction. The Terms of Reference of the Nomination Committee are available on the website of the Company and of the Stock Exchange.

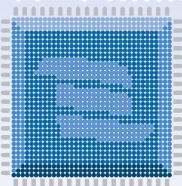
Nomination Policy

The Company has adopted a Nomination Policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- (1) reputation for integrity;
- (2) accomplishment and experience in the business in which the Group is engaged in;
- (3) commitment in respect of available time and relevant interest;
- (4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above), educational background, professional experience, skills and length of service;
- (5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- (6) the number of existing directorships and other commitments that may demand the attention of the candidate;
- (7) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;
- (8) Board Diversity Policy of the Company and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and
- (9) such other perspectives appropriate to the Company's business.



CORPORATE GOVERNANCE REPORT

Director Nomination Procedure

Subject to the provisions in the Articles of Association of the Company and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

- (1) The Nomination Committee and/or Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;
- (2) The Nomination Committee and/or the Company Secretary of the Company will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Law of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;
- (3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;
- (4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;
- (5) In the case of the appointment of an Independent Non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and
- (6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group has paid and accrued the amounts of approximately RMB857,000, RMB609,000, RMB570,000, RMB106,000, RMB106,000 and RMB106,000 to Mr. Ma Fujun, Mr. Cheng Bin, Ms. Chen Xiaoyuan, Mr. Chan Chung Kik Lewis, Mr. Chow Kit Ting and Mr. Wu Chi-luen, respectively, as Directors' remuneration, for the year ended 31 December 2019.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2019, there was no arrangement in which the Directors waived their remuneration.

Senior management's remuneration payment of the Group for the year ended 31 December 2019 falls within the following bands:

Name of Directors	2019	2018
Nil to RMB1,000,000	1	1

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

CORPORATE GOVERNANCE REPORT

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
5. to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

The Corporate Governance Policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its Corporate Governance Policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of the Group's operations with applicable laws and regulations.

CONTINUOUS PROFESSIONAL DEVELOPMENT

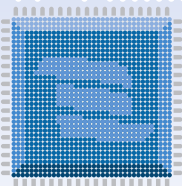
Pursuant to the CG Code provision A.6.5, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the year ended 31 December 2019, the Company had arranged to provide trainings to all the Directors.

For the year ended 31 December 2019, the Directors participated in the following continuous professional development:

Name of Directors	Training on corporate governance, director's duties, environment, social and governance, and/or regulatory update
Executive Directors	
Mr. Ma Fujun	V
Ms. Chen Xiaoyuan	V
Mr. Cheng Bin	V
Independent Non-Executive Directors	
Mr. Wu Chi-luen	V
Mr. Chan Chung Kik Lewis	V
Mr. Chow Kit Ting	V

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers, as its external auditor for the year ended 31 December 2019. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2019, the remuneration for the audit service provided the Company's external auditor, PricewaterhouseCoopers was approximately RMB1.5 million. During the year ended 31 December 2019, the Company's external auditor, PricewaterhouseCoopers, did not provide any non-audit service to the Group.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the Group's business and structure. The Board is responsible for maintaining an adequate internal control system to safeguard the investments of the shareholders and Group's assets and reviewing the effectiveness of such through Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations. An annual review of the effectiveness of the system of internal controls of the Group will be conducted.

The Company has engaged an independent internal control adviser to carry out a review on the internal control system and risk management system of the Group. The review involves all material monitoring aspects, including but not limited to finance, operation, compliance and risk management. The adviser has conducted analysis and independent assessment on the adequacy and the effectiveness of the internal control system and risk management of the Group, and has submitted the findings and recommendations to the Audit Committee and the Board. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the interest of shareholders and the Group's assets.

DELEGATION BY THE BOARD

In general, the Board oversees the Company's strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group's strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

COMPANY SECRETARY

Ms. Jian Xuegen (簡雪艮), aged 34, was appointed as the company secretary of our Company on 1 January 2020 and also is the financial controller of our Company since 5 December 2016 when she joined our Group. In the opinion of the Board, Ms. Jian possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. During the year ended 31 December 2019, Ms. Jian confirmed that she has taken no less than 15 hours of relevant professional training. The Company will provide fund for Ms. Jian to take no less than 15 hours of appropriate professional training in each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders of the Company are requested to follow article 58 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to convene an extraordinary general meeting".

Pursuant to article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by that person (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong branch share registrar and transfer office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if then notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

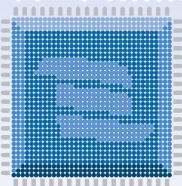
The procedures for shareholders of the Company to propose a person for election as a Director is posted on the website of the Company. Shareholders or the Company may refer to the above procedures for putting forward any other proposals at general meetings.

INVESTORS RELATIONS

The Company believes that effective communication with the investors is essential for enhancing investors' relations and understanding of the Group's business operations, performances and strategies. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the websites of the Company and Stock Exchange, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office. The Company also maintains a website at www.szeternity.com where up-to-date information and updates of the Company's operations, performances and strategies are available to public access.



CORPORATE GOVERNANCE REPORT

Dividend Policy

The Company has adopted a Dividend Policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the Shareholders and the level of dividend to be paid. Under the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

- (1) the Group's actual and expected financial performance;
- (2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
- (3) retained earnings and distributable reserves of the Company and each of the members of the Group;
- (4) the Group's liquidity position;
- (5) interest of shareholder;
- (6) Taxation consideration;
- (7) potential effect on creditworthiness;
- (8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and
- (9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time, and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

Constitutional Documents

On 25 July 2018, the Company has adopted an amended and restated memorandum and articles of association which had been uploaded to the websites of the Company and the Stock Exchange. Save as disclosed above, there had been no changes in the constitutional documents of the Company during the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND REPORTING PERIOD

Eternity Technology Holdings Limited and its subsidiaries (collectively the “**Group**”) presents its Environmental, Social and Governance (“**ESG**”) report, which highlights its ESG performance from 1 January 2019 to 31 December 2019.

This ESG report was prepared with reference to the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

The Group is an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to its customers in respect of its assembling and production of PCBAs and fully-assembled electronic products.

The scope of this ESG report covers the Group’s business in the PRC, where the Group’s principal operations are located and its major revenue is derived. The Group’s operations outside the PRC are not included in the scope as they do not have significant environmental and social impacts.

ESG RESPONSIBILITIES

The board of directors (the “**Board**”) holds the overall responsibility for the Group’s ESG strategy and reporting by overseeing the overall governance and progress of the Group’s ESG management system, policies, commitments, strategies and objectives.

Management of the Group is responsible for the collection and analysis of ESG data, implementation of appropriate measures to improve the Group’s ESG performance, assessment of whether current ESG policies and improvement measures are effective, compliance with relevant ESG laws and regulations and the reporting of major issues to the Board.

The data and information in this ESG report are sourced from the relevant documents, reports, statistical data, management and operation information collected by the Group. The Board has reviewed the contents of this ESG report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group maintains regular communications with its stakeholders from time to time to collect their views on the ESG aspects that they regard as relevant and important. Its key stakeholders include its employees, shareholders, customers, suppliers, professional institutions, governmental organisations and authorities. The Group maintains an open and transparent dialogue with its stakeholders through various channels including meetings, surveys, seminars and workshops.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following table summarises the main expectations and concerns of the key stakeholders identified by the Group, and the corresponding management responses.

Stakeholders	Expectations	Management responses/ Communication channels
Governments and regulatory bodies	<ul style="list-style-type: none"> Compliance with laws and regulations Tax payment in accordance with laws 	<ul style="list-style-type: none"> Compliance operation Tax payment in full and on time
Shareholders	<ul style="list-style-type: none"> Financial results Corporate transparency Sound risk control 	<ul style="list-style-type: none"> To improve profitability Regular information disclosure To optimise risk management and internal control
Employees	<ul style="list-style-type: none"> Career development platform Salary and benefits Safe working environment 	<ul style="list-style-type: none"> Promotion mechanism Competitive salary and employee benefits To provide trainings for employees and strengthen their safety awareness
Customers	<ul style="list-style-type: none"> Logistics and delivery service standards Customer information security Customer rights and interests protection 	<ul style="list-style-type: none"> To get delivery status through product tracking system Customer privacy protection Compliance marketing
Suppliers	<ul style="list-style-type: none"> Integrity cooperation Business ethics and credibility 	<ul style="list-style-type: none"> To build a responsible supply chain To perform the contract according to law
Society and the public	<ul style="list-style-type: none"> Environmental protection Employment opportunities 	<ul style="list-style-type: none"> To reduce environmental pollutions To provide equal employment opportunities

MATERIALITY ASSESSMENT

With reference to the scopes as required under the ESG Reporting Guide and taking into consideration of the Group's business operations, the Group identified the following environmental, social and operating issues that are material and relevant to the Group's business operations during the year ended 31 December 2019. If the Group does not implement effective strategies to monitor and solve these issues, these issues may affect the Group's financial condition or operating performance. Further, the Group made a materiality assessment on these environmental, social and operating issues by conducting interviews with its stakeholders.

Environmental issues	Social issues	Operating issues
1. Greenhouse gas emissions	8. Local community engagement	15. Economic value generated
2. Energy consumption	9. Community investment	16. Corporate governance
3. Water consumption	10. Occupational health and safety	17. Anti-corruption
4. Waste	11. Labour standards in supply chain	18. Supply chain management
5. Saving energy measures	12. Training and development	19. Customer satisfaction
6. Use of raw materials and packaging materials	13. Employee welfare	20. Customer privacy
7. Compliance with laws and regulations relating to environmental protection	14. Inclusion and equal opportunities	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group prioritised the above-mentioned environmental, social and operating issues in terms of their importance to the Group's stakeholders and business operations.

Importance to the Group's stakeholders and business operations	ESG issues
High	1, 2, 3, 5, 6, 7, 14, 15, 16, 17, 18, 19, 20
Medium	10, 11, 12, 13
Low	4, 8, 9

Based on the results of the Group's materiality assessment, the Group would formulate and implement appropriate strategies to monitor and solve the identified issues and to achieve sustainable business development.

A. ENVIRONMENT

The Group acknowledges its responsibility to protect the environment and it has implemented policies to reduce emissions and improve the efficiency in the use of resources.

The Group's operations are subject to certain environmental requirements pursuant to the laws in the PRC, such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法).

These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. The Group's business operations in the PRC should comply with laws and regulations concerning the environment protection.

The Group is accredited with the certification of "ISO14001:2004 Environmental management system" for the processing of PCB (SMT, test and assembly), production of the wireless data termination products (GPRS/CDMA module). During the year ended 31 December 2019, the Group did not record any non-compliance with applicable environmental requirements that resulted in prosecution, penalty, administrative fine or sanction being imposed against the Group.

Emissions

In order to comply with the applicable environmental protection laws, the Group has implemented environmental protection policies, reducing air and water pollution and electricity consumption. Sources of emissions the Group mainly involved during the year ended 31 December 2019 included consumption of petrol, electricity, paper and water in its business operations and business trips.

(i) Air pollutant emissions

During the year ended 31 December 2019, air pollutant emissions mainly arose from petrol consumption for the use of the Group's self-owned vehicles, which contributed to the emission of 426.5kg (2018: 389.2kg) of nitrogen oxides (NO_x), 0.5kg (2018: 0.8kg) of sulphur oxides (SO_x) and 32.8kg (2018: 34.1kg) of respiratory suspended particles (PM).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(ii) Greenhouse gas emissions

Scope of greenhouse gas emissions	For the year ended 31 December			
	2019		2018	
	Emission (in tCO ₂ e)	Percentage to total emission	Emission (in tCO ₂ e)	Percentage to total emission
Scope 1 Direct emission				
Combustion of petrol for mobile vehicles	86.24	1.6%	126.00	2.4%
Scope 2 Indirect emission				
Purchased electricity	5,142.00	97.5%	4,993.00	96.9%
Scope 3 Other indirect emission				
Paper waste disposal	0.02	0.9%	0.03	0.7%
Water consumption	36.15		28.20	
Business air travel	10.07		7.30	
Total	5,274.48	100%	5,154.53	100%

Notes:

- 1) Emission factors were made by reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.
- 2) The above emission data does not include the removal of CO₂ contributed by recycling of paper.

During the year ended 31 December 2019, the Group's activities contributed to 5,274.48 tonnes (0.39 tCO₂/m²) (2018: 5,154.53 tonnes (0.30 tCO₂/m²)) of carbon dioxide equivalent (carbon dioxide, methane, nitrous oxide and hydrofluorocarbons) emission. Details of the Group's measures to reduce the consumption of resources and the related emissions are set out below. As a result of these measures, the employees' awareness of reducing the consumption of resources and the related emissions has been increased.

Petrol consumption

During the year ended 31 December 2019, the Group's motor vehicles travelled approximately 267,824 km, which consumed 34,485 litres of petrol (69.9 litres of petrol per employee) and contributed to 86.24 tonnes (2018: 126.00 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from petrol consumption, the Group encourages its employees to use public transport when they attend business activities. For business activities that take place within walking distance, the Group encourages its employees to walk or cycle to the destination.

Electricity consumption

During the year ended 31 December 2019, the Group consumed 6,145,544 kWh of electricity (12,466 kWh per employee) in connection with its daily business operations, which contributed to 5,142.00 tonnes (2018: 4,993.00 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from electricity consumption, the Group encourages its employees to switch off the lights and other electricity appliances when they leave office and production premises.

Paper consumption

During the year ended 31 December 2019, the Group consumed four tonnes of paper (0.008 tonnes per employee) in connection with its daily business operations, which contributed to 0.02 tonnes (2018: 0.03 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from paper usage, the Group encourages its employees to conserve paper, review documents on computers, send messages to customers via emails, use recycled paper and adopt double-sided printing.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water consumption

During the year ended 31 December 2019, the Group consumed 40.4 tonnes of water (0.08 tonnes per employee) in connection with its daily business operations, which contributed to 36.15 tonnes (2018: 28.20 tonnes) of carbon dioxide equivalent emissions. To reduce the emissions arising from water usage, the Group encourages its employees to conserve water and remember to turn off the water tap. As a result, the employees has increased their awareness to reduce water consumption. During the year ended 31 December 2019, the Group did not encounter any problems in sourcing water that is fit for purpose. Further, the Group did not consume a significant amount of water that was and disproportional to the scale of its business operations.

Business air travel

The Group's employees occasionally travel by air to other cities/countries for meetings with customers and suppliers. They would only travel by air when necessary and the Group keeps track of their business air travels. During the year ended 31 December 2019, business air travels of the Group's employees had contributed a total of 10.07 tonnes (2018: 7.30 tonnes) of carbon dioxide equivalent emission.

(iii) Hazardous waste

During the year ended 31 December 2019, the Group generated minimal amount of hazardous waste. The major hazardous waste generated by the Group was waste light tube. To minimise the impact on environment, the Group has engaged a waste collector to handle and collect the hazardous waste produced. The Group will strive to reduce hazardous waste through upgrading technologies whenever possible.

(iv) Non-hazardous waste

During the year ended 31 December 2019, the Group generated minimal amount of non-hazardous waste. The major non-hazardous waste generated by the Group were packaging materials generated from the production process and domestic waste generated in staff quarters and offices. Most of the non-hazardous waste are recycled or sold to recycling company. The Group regularly reminds its employees to use resources efficiently and try to avoid the generation of waste. As a result, the employees' awareness of waste management has been increased.

Use of resources

To minimise adverse impact on the environment and natural resources arising from its business operations, the Group understands the importance to reduce unnecessary resource consumption and to enhance utilisation efficiency, and accordingly it has adopted a set of guidelines to achieve efficient use of energy, water and other resources for long-term sustainability.

During the year ended 31 December 2019, the Group's business activities did not cause significant adverse impact on the environment and natural resources. The Group's total consumption of resources during the year ended 31 December 2019 together with the relevant conservation measures adopted by the Group are detailed in the section headed "Emissions" above.

To further improve the use of resources, the Group takes the following actions on an ongoing basis:

- keep track of its consumption level of resources;
- review the effectiveness of its conservation measures; and
- design improvement measures

As a result, the Group's employees are more aware of the importance of using resources efficiently.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

Employment and labour practices

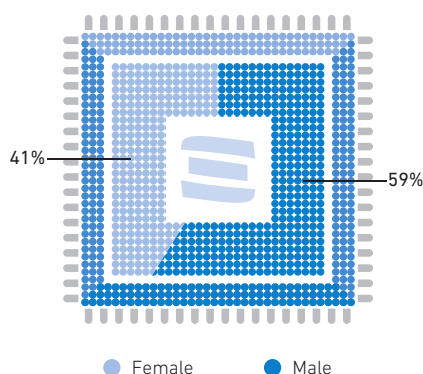
(i) Employment

Total employees and turnover

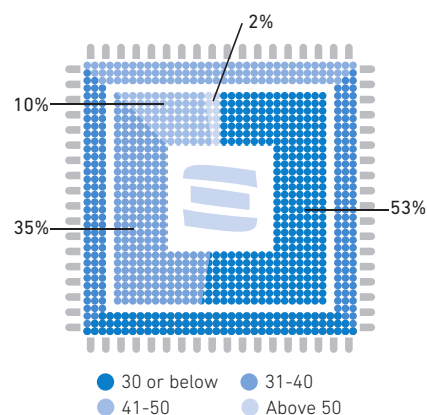
As at 31 December 2019, the Group had a total number of 490 full-time employees in the PRC. During the year ended 31 December 2019, the Group had a low staff turnover rate.

Set forth below are the distribution of the Group's employees as at 31 December 2019 by gender and age group:

**DISTRIBUTION OF
EMPLOYEES BY GENDER**



**DISTRIBUTION OF
EMPLOYEES BY AGE GROUP**



Employee benefits and welfare

The Group enters into employment contracts with its employees and the employment contract terms were stipulated under the principles of fairness, voluntarism, mutual consent, integrity and credibility. The remuneration package offered to employees includes salary, bonuses and other subsidies. In general, the remuneration package is based on each employee's qualifications, position, seniority and work performance. The Group carries out an annual review system to assess the performance of its employees, which forms the basis of decisions with respect to salary raises, bonuses and promotions.

During the year ended 31 December 2019, the Group maintains social insurance for its employees pursuant to the applicable PRC laws and regulations by making contributions to the mandatory social insurance and housing provident funds which provide basic retirement, medical, work-related injury, maternity and unemployment benefits.

During the year ended 31 December 2019, the Group complies with the Labour Law of the PRC and did not experience any significant disputes with its employees or any disruption to business operations due to labour disputes. In addition, the Group did not experience any difficulties in the recruitment and retention of experienced core staff or skilled personnel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Labour standards

During the year ended 31 December 2019, there was no child labour nor forced labour working in the Group. The job application requirement specifies that job applicants must be at least 18 years old. To ensure that job applicants can meet the age requirement, identities of job applicants are verified against their valid identity documents, relevant permits and certificates.

The Group's human resources department is required to carry out background checks to authenticate information provided by job applicants and is required to fill in forms that confirm hired employees have met the age requirement. No material non-compliance in relation to laws and regulations regarding prevention of child and forced labour was recorded during the year ended 31 December 2019.

Equal opportunity

The Group provides equal opportunities for employees in respect of recruitment, job advancement, training and development, etc. Employees are not discriminated against or deprived of such opportunities on the basis of race, nationality, religion, physical condition, disability, gender, pregnancy, sexual orientation, political status, age and any other discrimination prohibited by applicable law. Employees shall not act in discriminatory manner or they can be subject to disciplinary actions.

(ii) Employee relations

The Directors consider that it is important to maintain good relationship with employees. The Group maintains regular communications with its employees by arranging gatherings, celebration activities and trainings. Through these activities, the Group would collect feedback from its employees on job satisfactions and their expectations on the Group and would implement appropriate strategies to improve the work environment and its relationship with the employees.

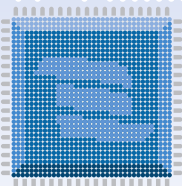
(iii) Employee health and safety

The Group places emphasis on occupational health and work safety. It has implemented measures in its production premise to promote occupational health and safety and to ensure compliance with applicable laws and regulations. The Group also published booklets with occupational health and safety for circulation to its employees to raise awareness of occupational health and safety among its employees. It had established a series of safety guidelines, rules and procedures for different aspects of its production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the year ended 31 December 2019, the Group had not experienced any material safety accidents or been penalised for any non-compliance relating to work safety laws and regulations.

Occupational health and safety data during the year ended 31 December 2019:

Work related fatality	—
Work injury cases >3 days	—
Work injury cases <=3 days	—
Lost days due to work injury	—



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(iv) Development and training

The Group provides comprehensive training and development opportunities to its employees on a regular basis. The trainings are arranged according to needs of employees, which were identified annually by individual departments:

- a. Orientation training – To familiarise employees with the Group's objectives, culture, rules and regulations, safety and product-related knowledge on the first day of work;
- b. Pre-job training – To familiarise new employees or transferred employees with their new duties;
- c. On-the-job training – To ensure that the employees are familiar with the Group's products, to sharpen the sales technique and customer service standard of sales and marketing personnel and to ensure the production and quality control personnel perform proper quality control procedures.

Operating practices

(i) Supply chain management

The Group purchases raw materials and equipment based on its own needs, specifications, quality and safety performance of equipment, reputation, after-sales service and delivery time of the supplier. The Group compares different suppliers to select qualified suppliers (based on their product specifications, product compliances, production management, quality management and also corporate social responsibility performances) before the Group enters into contract with the qualified suppliers.

When selecting equipment, the Group would also consider whether the equipment is energy efficient and environmental friendly. During the year ended 31 December 2019, the Group principally sourced its major raw materials and equipment from PRC suppliers.

(ii) Product responsibility

Product assurance and recall

Product quality is crucial to the Group's continued success. The Group places strong emphasis on achieving a consistently high quality for its products. To achieve such purpose, stringent quality control measures throughout the production process were implemented to ensure the quality and safety of our products. The Group's quality control department performs regular inspections to evaluate the effectiveness of the quality control measures and further enhance these measures when necessary.

As a result of stringent quality control procedures, the Group is accredited with the certification of "ISO 9001:2008 Quality Management System" and the Group did not experience any claims, litigations and arbitrations or material adverse findings in inspection by government authorities with respect to the quality of its products during the year ended 31 December 2019.

The Group offers a warranty ranging from nil to 24 months from the date of the delivery of its products. It provides after-sale services such as replacing defective products for its customers during the warranty period. It also endeavours to respond to all customer support inquiries within 24 hours to ensure that it is able to address its customers' needs efficiently. During the warranty period, the Group normally allows the return and replacement of products mainly due to quality reasons. During the year ended 31 December 2019, the Group did not experience any product recall, material non-compliance with laws and regulations in relation to product health and safety or receive any material complaints from consumers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Intellectual property rights and information security

The Group registered various patents and copyrights for our products and software in the PRC to protect its intellectual property rights. The Group relies on the relevant laws and regulations to protect its intellectual property rights.

During the year ended 31 December 2019, the Group was not aware of any material infringement (i) by the Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by the Group. Further, there were no pending or threatened material claims made against the Group, nor had there been any material claims made by the Group against third parties, with respect to the infringement of intellectual property rights owned by the Group.

(iii) Anti-corruption

According to the Group's anti-corruption policy, all employees shall abide by the laws and regulations of the PRC and shall not engage in any illegal activities. Employees shall uphold the code of ethics, advocate fair competition and act against bribery. Any bribery, fraud, money laundering and embezzlement are prohibited.

Employees must not accept or request any improper benefits including banquets, gifts, securities, valuables and high-expenditure entertainment activities from business partners, suppliers and merchants, etc. When there is any alleged case in violation of laws, regulations, code of conduct or the Group's policies, the Group will investigate and impose disciplinary actions upon offenders after verification.

During the year ended 31 December 2019, the Group complied with all applicable laws on prohibiting corruption and bribery of the PRC and there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

Community investment

The Group acknowledges corporate social responsibility and allocates resources to satisfy the needs of the community. During the year ended 31 December 2019, the Group focused on environmental protection as well as cultural and sport promotion. The Group encouraged its employees to participate charitable events. Going forward, the Group will continue to focus on community needs and increase its investment in community.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste.	A. ENVIRONMENT
KPI A1.1 ("comply or explain")	The types of emissions and respective emissions data.	Emissions
KPI A1.2 ("comply or explain")	Greenhouse gas emissions in total (in tonnes) and intensity.	Emissions - (ii) Greenhouse gas emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions - (iii) Hazardous waste (Not applicable – Explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions - (iv) Non-hazardous waste (Not applicable – Explained)
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions - (iii) Hazardous waste Emissions - (iv) Non-hazardous waste
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
KPI A2.1 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Emissions
KPI A2.2 ("comply or explain")	Water consumption in total and intensity	Emissions - (ii) Greenhouse gas emissions - Water consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Emissions
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Emissions - (ii) Greenhouse gas emissions - Water consumption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

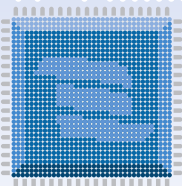
Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Emissions - (iv) Non-hazardous waste (Not applicable - Explained)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Use of resources
KPI A3.1 ("comply or explain")	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Use of resources
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and labour practices
KPI B1.1 (Recommended Disclosure)	Total workforce by gender, age group and geographical region.	Employment and labour practices - (i) Employment – Total employees and turnover
KPI B1.2 (Recommended Disclosure)	Employee turnover rate by gender, age group and geographical region.	Employment and labour practices - (i) Employment – Total employees and turnover
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employment and labour practices - (iii) Employee health and safety

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI B2.1 (Recommended Disclosure)	Number and rate of work-related fatalities.	Employment and labour practices - (iii) Employee health and safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employment and labour practices - (iv) Development and training
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and labour practices - (i) Employment
KPI B4.1 (Recommended Disclosure)	Description of measures to review employment practices to avoid child and forced labour.	Employment and labour practices - (i) Employment
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating practices - (i) Supply chain management
KPI B5.1 (Recommended Disclosure)	Geographical locations of major suppliers	Operating practices - (i) Supply chain management
KPI B5.2 (Recommended Disclosure)	Description of practices relating to engaging suppliers	Operating practices - (i) Supply chain management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating practices - (ii) Product responsibility
KPI B6.1 (Recommended Disclosure)	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Operating practices - (ii) Product responsibility
KPI B6.2 (Recommended Disclosure)	Number of products and service related complaints received and how they are dealt with.	Operating practices - (ii) Product responsibility

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Subject areas, aspects, general disclosures and KPIs	Description	Relevant section in the ESG report/ Declaration
KPI B6.3 (Recommended Disclosure)	Description of practices relating to observing and protecting intellectual property rights.	Operating practices - (ii) Product responsibility
KPI B6.4 (Recommended Disclosure)	Description of quality assurance process and recall procedures.	Operating practices - (ii) Product responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operating practices - (iii) Anti-corruption
KPI B7.1 (Recommended Disclosure)	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operating practices - (iii) Anti-corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community investment
KPI B8.1 (Recommended Disclosure)	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community investment



REPORT OF DIRECTORS

The Directors are pleased to present to the Shareholders the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the business of EMS which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBA and fully-assembled electronic products. Details of the principal activities of the Company's subsidiaries are set out in notes 1 and 27 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance Report, Financial Summary and the paragraphs below. The Group complies with the requirements under the Hong Kong Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "SFO") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

The following lists out the key risks and uncertainties facing the Group.

Concentration of customers

The Group has a concentration of customers and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions.

Fluctuations in the price of raw materials

Fluctuations in the price of raw materials may affect our cost of sales and adversely affect our business operations and profitability.

Financial Risks

The financial risks of the Group exposed to are shown in note 3 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 51 to 54.

The Board does not recommend payment of final dividend for the year ended 31 December 2019 (2018: nil).

SUBSIDIARIES

Details of our subsidiaries as at 31 December 2019 are set out in note 27 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 to the consolidated financial statements.

CLOSURE OF THE REGISTER OF MEMBERS

For the purposes of determining the shareholders' eligibility to attend and vote at the forthcoming annual general meeting to be held on 15 May 2020 (Friday), the register of members of the Company will be closed from 12 May 2020 (Tuesday) to 15 May 2020 (Friday), both days inclusive. The latest time to lodge transfer documents for registration will be at 4:30 p.m. on 11 May 2020 (Monday). During the above closure period, no transfer of shares will be registered. To be eligible to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 11 May 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

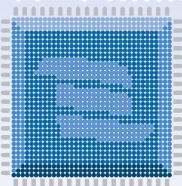
The Group did not have any donation during the Reporting Period (2018: RMB25,000.00).

MANAGEMENT CONTRACTS

During the Reporting Period, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group accounted for approximately 49.5% and 73.9% (2018: approximately 49.1% and approximately 81.7%) of the total sales of the year, respectively. During the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 10.3% and 31.2% (2018: 10.9% and 32.5%) of the total purchases of the year, respectively. None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.



REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Ma Fujun (*Chairman and Chief Executive Officer*)

Ms. Chen Xiaoyuan

Mr. Cheng Bin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Chi-luen

Mr. Chan Chung Kik Lewis

Mr. Chow Kit Ting

Article 84(1) of the Article of Association provide that every Director shall retire from office once every three years and for this purpose, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third but not less than one-third shall retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. Subject to the Articles, a retiring Director shall be eligible for re-election at the meeting at which he or she retires. For avoidance of doubt, each Director shall retire at least once every three years.

Article 83(3) of the Articles of Association provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to Articles 83(3) and 84(1) of the Articles of Association, Mr. Cheng Bin, and Mr. Chow Kit Ting will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 11 to 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Article of Association) and each of the Independent Non-executive Directors has enter into a service agreement with the Company for an initial term of three years commencing from the Listing Date (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Article of Association). All the service agreements may be terminated by either party by giving to the other party not less than three months' prior notice in writing.

Apart from the foregoing, no Directors proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment or compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance to which the company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interests in our Company

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Percentage of shareholding (%)
Mr. Ma Fujun ("Mr. Ma")	Interest of a controlled corporation ⁽²⁾	191,250,000 ^(L)	63.75

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares are held by Rich Blessing Group Limited ("Rich Blessing"). Rich Blessing is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen Xiaoyuan ("Ms. Chen"), 14.89% by Ms. Cheng Lihong ("Ms. Cheng") and 2.20% by Mr. Cheng Bin ("Mr. Cheng"). Mr. Ma, Ms. Chen and Mr. Cheng are our Executive Directors. Mr. Ma is also the sole director of Rich Blessing. Therefore, Mr. Ma is deemed or taken to be interested in the Shares held by Rich Blessing under the SFO.

REPORT OF DIRECTORS

(ii) Interests in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares ⁽¹⁾	Percentage of shareholding (%)
Mr. Ma ⁽²⁾	Rich Blessing	Beneficial owner; interest of spouse	7,780 ^(L)	77.80
Ms. Chen	Rich Blessing	Beneficial owner	2,000 ^(L)	20.00
Mr. Cheng	Rich Blessing	Beneficial owner	220 ^(L)	2.20

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the relevant associated corporation.
- (2) Ms. Cheng is the spouse of Mr. Ma. Therefore, Mr. Ma is deemed or taken to be interested in the shares in Rich Blessing held by Ms. Cheng under the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at the date of this report, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Saved as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Group, or the Company's holding company or any subsidiary of its holding company a party to any arrangements to enable the Directors, or any of their spouses or children under the age of 18 to acquire by means of acquisition of shares in, or debt securities, and including debentures, of the Group or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

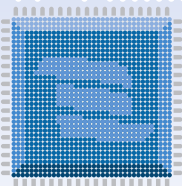
So far as the Directors are aware, as at the date of this report, the following corporations/persons (other than our Directors and chief executives of the Company) had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held/ interested ⁽¹⁾	Percentage (%)
Rich Blessing	Beneficial owner	191,250,000 ^(L)	63.75
Ms. Cheng	Interest of spouse ⁽²⁾	191,250,000 ^(L)	63.75
Elite Foster International Investment Limited (" Elite Foster ")	Beneficial owner ⁽³⁾	33,750,000 ^(L)	11.25
Mr. Lu Wan Ching	Interest of a controlled corporation ⁽³⁾	33,750,000 ^(L)	11.25
Ms. Wong Yuk Ting	Interest of spouse ⁽⁴⁾	33,750,000 ^(L)	11.25

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Ms. Cheng is the spouse of Mr. Ma. Therefore, Ms. Cheng is deemed or taken to be interested in the Shares held by Mr. Ma under the SFO.
- (3) The Shares are held by Elite Foster, which is wholly owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed or taken to be interested in the Shares held by Elite Foster under the SFO.
- (4) Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed or taken to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, as at the date of this report which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



REPORT OF DIRECTORS

DIRECTORS' INTEREST IN A COMPETING BUSINESS

None of the Directors or any of their respective associates has engaged in or has any interest in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the Reporting Period and up to the date of this report.

Each of Mr. Ma, Ms. Chen, Ms. Cheng, Mr. Cheng and Rich Blessing (together the **"Controlling Shareholders"**), had entered into a non-competition deed dated 25 July 2018 (the **"Non-competition Deed"**) in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would procure his/her/its associates not to (other than through the Group or in respect of each covenantor (together with his/her/its associates), as a holder of not more than 5% of the issued shares or stock of any class or debentures of any company listed on any recognized stock exchange) directly or indirectly carry on, engage or otherwise be interested (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

In order to ensure the Controlling Shareholders have complied with the Deed of Non-competition, each of the Controlling Shareholders has provided to the Company a written confirmation (i) in respect of his/her/its compliance with the Non-competition Deed for the Reporting Period; (ii) no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (iii) stating that they have not entered into any business which may be in competition with the business carried on by the Group from time to time. As there was no change in terms of the undertaking since the Company's listing on the Stock Exchange, the Independent Non-executive Directors of the Company are of the view that the Controlling Shareholders have complied with the Non-competition Deed and no matters are required to bring to the attention of the public.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted on 25 July 2018 (the **"Share Option Scheme"**), which became effective on the Listing Date. The share option scheme will provide the eligible participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimise their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible participants of the Scheme may include any employee (full-time or part-time), executives, officers, or directors (including non-executive directors and independent non-executive directors) of the Group, and any advisors, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board, will contribute or have contributed to the Group (together, the **"Eligible Participants"** or each **"Eligible Participant"**)

Unless approved by shareholders of the Company in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

The exercise price for any Share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from the date of adoption of the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.

As at the date of this report, the total number of shares available for issue under the Scheme was 30,000,000, representing 10% of the issued share capital of the Company as at the Listing Date. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption.

Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the remaining life of the Share Option Scheme is approximately 9 years.

No share option has been granted exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2019 and up to the date of this report.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 31 to the consolidated financial statements. For the year ended 31 December 2019, none of these related party transactions are connected transaction which are subject to the disclosure requirements of Chapter 14A of the Listing Rules in respect of such transactions.

CONNECTED TRANSACTIONS

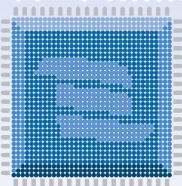
The connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules entered by the Group in the year of 2018 with a term of three years were exempted from disclosure requirements under the Listing Rules. Details were disclosed in Note 31 to the consolidated financial statements.

FUTURE PROSPECT AND DEVELOPMENT

With reference to the Business Strategy section of the Chairman's Statement, the Group will continue to strive to system long term growth in our current business, strengthen our production capacity and enhance production efficiency to secure more business opportunities. We will continue to strive a balance among the interests of shareholders, employees and customers, and pursue long-term and sustainable development for the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.



REPORT OF DIRECTORS

AUDIT COMMITTEE

The Company established the Audit Committee on 25 July 2018 with terms of reference in compliance with the CG Code to the Listing Rules for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the internal control procedures of our Group. The Audit Committee now comprises three members, all being Independent Non-executive Directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting.

The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2019.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 15 May 2020 (Friday) to seek Shareholders' approval on the appointment of PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of our Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee comprises three Independent Non-executive Directors, namely, Mr. Wu Chi-luen (Chairman), Mr. Chan Chung Kik Lewis and Mr. Chow Kit Ting.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee comprises one executive Director, Mr. Ma (Chairman) and two Independent Non-executive Directors, namely Mr. Chan Chung Kik Lewis and Mr. Wu Chi-luen.

CORPORATE GOVERNANCE PRACTICES

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules during the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors of the Company have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the Reporting Period.

USE OF PROCEEDS

Details of the use of the proceeds from the Listing are set out on page 9 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations.

The Group understands the importance of maintaining a good relationship with our business partners, including the customers, suppliers, bankers and other financial institutions. The Group believes that a healthy relationship can be build up by providing enhanced services to the customers, maintaining an effective communication channel to the employees and our business partners.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group understands the importance of environmental sustainability and protection and has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. Please refer to the ESG Report on pages 23 to 35 for details of our ESG performance.

By order of the Board

Ma Fujun

Chairman & Executive Director

Hong Kong